RETAIL INDUSTRY LEADERS ASSOCIATION
Educate. Innovate. Advocate.

1700 NORTH MOORE STREET
SUITE 2250
ARLINGTON, VA 22209
T (703) 841-2300 F (703) 841-1184
WWW.RILA.ORG

February 23, 2012

President Barack Obama
The White House
Washington, DC 20500

Dear President Obama:

While we may not agree on all of the details, we applaud you and your administration for putting forth a framework for corporate tax reform and drawing attention to the inequities in the current tax code.

In addition to being one of the largest private-sector employers, providing nearly 15 million jobs, retailers pay among the highest effective corporate income tax rates. RILA supports comprehensive tax reform that broadens the base and substantially lowers the rate, simplifies and stabilizes the tax code, and eliminates the double taxation of foreign earnings, because it will free U.S. companies to invest, expand their businesses, and most importantly, create new jobs.

By way of background, RILA is the trade association of the world's largest and most innovative retail companies. RILA members include more than 200 retailers, product manufacturers, and service suppliers, which together account for more than $1.5 trillion in annual sales, millions of American jobs and more than 100,000 stores, manufacturing facilities and distribution centers domestically and abroad.

Broaden the Base

The government should not use the tax code to pick winners and losers. Unfortunately, today it does just that. Thousands of changes to the tax code over nearly three decades have created myriad rules, credits, and deductions that give some industries and individuals advantages over others. While your plan addresses some of those special preferences, it retains many, resulting in an improved but still tilted playing field and preventing deeper reductions to the overall rate. Moreover, your proposals for special lower tax rates for particular industries further perpetuates the advantages that the tax code provides for certain sectors of the economy to the detriment of a balanced tax system that fosters overall economic growth and job creation.

Substantially Lower Rate

Every day, retailers across the country struggle with an increasingly complex tax code, which because of constantly expiring provisions and repeated Congressional changes makes compliance unbearably difficult and costly and long-term planning nearly impossible. RILA supports including all tax benefits and preferences in the debate because a substantially lower rate will result in more capital available to expand retail businesses and create jobs. A 2007 Department of Treasury report, entitled "Approaches to Improve the Competitiveness of the U.S. Business Tax System for the 21st Century," suggested the economic benefit of lowering the corporate income tax rate to 28 percent would be "modest" and that lowering the rate to 20 percent "could potentially produce larger economic benefits."

The U.S. corporate income tax rate will soon be highest among the 34 Organisation for Economic Co-operation and Development (OECD) nations. This undermines U.S. competitiveness. A reduction to 28 percent (33 percent when combined with state tax rates) would leave the United States with the fourth highest corporate tax rate among OECD countries. If we are serious about giving U.S. businesses the ability to compete effectively in the global marketplace, a substantial reduction in the corporate income tax rate is essential.

A simple and stable tax code with substantially lower rates would positively encourage long-term investment in new property, plant and equipment, which in turn increases sales and spurs hiring.

International Competitiveness

A territorial tax system, similar to those widely adopted around the world, would focus U.S. taxation on the domestic earnings of U.S. businesses and prevent the double taxation of their foreign operations abroad, which currently puts many U.S. businesses at a competitive disadvantage to foreign competitors.

A growing number of U.S. retailers are expanding into the global marketplace through the establishment of both retail operations in other countries as well as subsidiaries that strengthen the supply chain of goods and services they provide to their customers in this country. The United States' current system of taxing worldwide income and proposals to increase the tax burden on U.S multinationals not only constrain a retailer's ability to grow internationally, but also cost the United States the well-paying jobs that a company typically must add to oversee such global operations.

Retailers compete every day for consumers' loyalty and spending. The nation's tax rules, domestic and international, should foster their success – not erect competitive barriers – especially as retailers continue to expand into the global marketplace.

Comprehensive Reform

In order for reform to have its greatest effect, it must address the tax code for all taxpayers and all types of businesses. Businesses that are not taxed separately as corporations are subject to taxation under the individual tax rules. These businesses, including many retail establishments, would be left at a further disadvantage if, as your framework suggests, the individual tax rules are not addressed. Additionally, individual taxpayers face the same dizzying patchwork of rules, credits and deductions. If we agree that the corporate tax system desperately needs to be reformed, than we must also agree that the individual tax rules demand the same overhaul. Like businesses, consumers deserve a tax code that is equitable, coherent and administrable.

Mr. President, with 12.8 million Americans out of work and looking for work, and 2.8 million more who have given up trying, comprehensive tax reform that spurs investment and job creation cannot come soon enough. Comprehensive tax reform that meets the standards outlined above will free retailers, as well as the broader business community, to invest, grow, and most importantly, create new jobs.

Sincerely,

Sandra L. Kennedy

Sandra L. Kennedy
President